The Board of Directors of Dominion Stores Limited Presents the 53rd Annual Report TO THE SHAREHOLDERS Fiscal Year Ended March 17, 1973

Contents

Version française—On peut obtenir un exemplaire français du présent Rapport annuel en s'adressant au Secrétaire de la Compagnie, 605 Rogers Road, Toronto, Ontario M6M 1B9

Shareholders' Auditors
McDonald, Currie & Co., Toronto

Bankers
Bank of Montreal

Banque Canadienne Nationale

Banque Provinciale du Canada

Canadian Imperial Bank of Commerce

The Bank of Nova Scotia

The Royal Bank of Canada

The Toronto-Dominion Bank

Transfer Agents
Crown Trust Company
Toronto, Montreal and Vancouver

Canada Permanent Trust Company
Halifax and Saint John

Bankers Trust Company, New York

Registrars
Crown Trust Company,
Toronto, Montreal and Vancouver

Canada Permanent Trust Company,
Halifax and Saint John

Bankers Trust Company, New York

The Annual Meeting of Shareholders will be held at the O'Keefe Centre For The Performing Arts, Front and Yonge Streets, Toronto, on Tuesday, the 14th day of August, 1973, at the hour of 11:00 a.m.

Comparative Highlights

	For the Years Ended March 17, 1973 (52 Weeks)	March 18, 1972 (52 Weeks)
Sales (An increase of $158,480,772 or 16.62%)	**$1,112,219,958**	$953,739,186
Net Earnings	**$ 10,022,409**	$ 9,574,136
per dollar of sales	**.9c**	1.0¢
per share of common stock	**$ 1.21**	$ 1.18
Dividends	**$ 5,964,973**	$ 5,824,707
per share of common stock	**72c**	72¢
Working Capital	**$ 32,704,294**	$ 30,140,728
Ratio of Current Assets to Current Liabilities	**1.75**	1.65
Total Reinvested Earnings	**$ 72,552,452**	$ 68,495,016
Shareholders' Equity	**$ 91,251,239**	$ 85,470,178
Number of Stores at End of Year	**401**	403
Ground Floor Area (square feet)	**6,060,178**	5,990,300

Directors and Management

Directors

*JOHN A. McDOUGALD
Chairman of the Board and Chairman of the Executive Committee

*THOMAS G. McCORMACK
Vice-Chairman of the Board and Chief Executive Officer

LEWIS H. M. AYRE
*GEORGE M. BLACK, Jr.
*A. BRUCE MATTHEWS

*ALEX E. BARRON
*THOMAS G. BOLTON
*MAXWELL C. G. MEIGHEN
WILLIAM J. STEWART

*STEWART G. BENNETT
PIERRE PAUL DAIGLE
ANDRE MONAST, Q.C.

**Executive Committee*

Corporate Management

THOMAS G. McCORMACK
Vice-Chairman of the Board and Chief Executive Officer

THOMAS G. BOLTON
President

ALLEN C. JACKSON
Executive Vice-President

W. FRANK CAPSTICK
Senior Vice-President, Retail Operations

R. J. O'BRIEN
Vice-President, Advertising

NATHANIEL H. SHAW, Q.C.
Vice-President and General Counsel

WILLIAM J. STEWART
Vice-President and Secretary

E. CLIFFORD WENT
Vice-President, Administration

NELSON W. LANCASTER
Comptroller, Operations

A. WILLIAM TOMLIN
Comptroller, Corporate Finance

Divisional Management

ALBERT DAVID
Quebec

RONALD C. HYNE
Hamilton, South-Western Ontario and Atlantic Provinces

JAMES A. MALCOLM
Western Canada, North Central and Eastern Ontario

RUSSELL L. NETHERTON
Toronto Districts

District Management

REAL BROUILLETTE
Montreal, Quebec

JOHN N. CAMPBELL
Toronto, Ontario

JAMES F. EARLE
Halifax, N.S.

FRANCOIS GIRARD
Quebec, Quebec

ELTON C. HAINES
Toronto, Ontario

JOHN A. HIGGINSON
Toronto, Ontario

E. C. R. KERR
Winnipeg, Manitoba

RAYMOND LUCYSHYN
Hamilton, Ontario

DAVID M. MARTIN
St. John's, Nfld.

PERCY M. MONTFORD
Saint John, N.B.

JOHN PANDER
Sudbury, Ontario

JOHN I. QUINN
Windsor, Ontario

HARRY TAYLOR
Ottawa, Ontario

GILBERT VIENNEAU
Montreal, Quebec

Special Management

J. P. CARTER
Director of Associated Enterprises

ERVIN F. CAVEN
Director of Personnel and Labour Relations

STANLEY P. GIBSON
Director of General Merchandise

CHARLES T. E. HALSEY
Director of Company Brands

A. M. MACDONALD
Director of Corporate Development

THOMAS THOMSON
Director of Distribution

JOHN C. TOMA
Director of Merchandising

Annual Report to the Shareholders

By many of the traditional measures of business success, the 1973 fiscal year was an outstanding one for Dominion Stores Ltd. Sales passed the billion-dollar mark for the first time, and by a substantial margin. The company's position as the leading food retailer in Canada was further strengthened. More shoppers than ever before patronized our stores, and the facilities underwent improvements, modernization and some replacement.

But in this annual report to shareholders, it must be acknowledged that the competitive and sales successes are not reflected in benefits to the shareholders. Profits as a percentage of sales actually declined.

We played our part, with the rest of the food industry, in maintaining Canada's position as a country in which people on the average spend relatively small portions of their total disposable income on food. We provided government with new high levels of tax revenues. Salaries again rose. But we earned for the shareholders very little more than was earned in 1963, a year in which sales amounted to less than half of the fiscal March, 1973 total.

During the year, steadily increasing sales clearly indicated the degree to which the shopping public recognizes Dominion's commitment to everyday deep discount pricing and to its determination not knowingly to be undersold.

The efforts and ingenuity of management and staff continued to be tested by the necessity of countering the upward pressures on prices. These pressures come from many sources, not all of them within the food industry. An increase in freight rates, in the price of steel, in real estate and construction costs, in taxes — all of these are reflected quickly in our operations. Shortages caused by weather conditions or political problems in faraway places influence costs of doing business here.

Along with these upward pressures on prices which stem from costs we ourselves encounter Dominion continues to face strong restraining pressures from consumers, both as individuals and groups and from governments. Because people shop for food once a week or more often and because food represents a sizeable part of any family's budget, consumers are extremely conscious of price changes and have no hesitation about objecting to them. Because the food industry is part of the general economy it will inevitably reflect to some extent the characteristics of the economy. The most obvious characteristic of the Canadian economy at present is that we are in a period of expansion which includes substantial inflationary factors.

Over the past 10 years, as the table on page 15 shows, Dominion's sales have increased 142 percent, and total salaries and benefits paid to all employees rose 205 percent. The average weekly wage paid to each individual employee increased by 117 percent. According to government statistics the overall consumer price index,

commonly referred to as the cost of living index, went up by 40 percent. However, the index for food consumed in the home rose less than the cost of living and far less than the average wage. It increased by 34 percent — a substantial rise but a very good performance in relation to the economy generally.

Your company has played its part in restraining retail price increases through improvements in efficiency and by taking full advantage of economies of scale. Competition in the industry remained intense throughout the year under review.

Dominion has traditionally been able to develop within its ranks outstanding leadership of the type which has kept the company in the forefront in the industry. During the past year, important changes were made at the senior management level in order to assure the continuation of strong leadership in future years.

Thomas G. McCormack, President since 1955, assumed the position of Vice Chairman of the Board and continues as Chief Executive Officer.

Thomas G. Bolton, formerly Vice President, Corporate Development, was appointed President and was named to the Board of Directors and the Executive Committee of the Company.

Allen C. Jackson, formerly Vice President, Merchandising, became Executive Vice President and W. Frank Capstick was appointed Senior Vice President. He was formerly Vice President, Retail Operations.

Sales

Sales for the 52 weeks ended March 17th, 1973 amounted to $1,112,220,000, compared with $953,739,000 in the 52 weeks ended March 18th, 1972. This was the first time a Canadian retail food chain has exceeded the billion dollar sales plateau. In the three fiscal years since Dominion committed itself to its "deep discount" pricing policy, sales have increased from $651,650,000 to $1,112,220,000. This is an increase in this relatively short period of $460,570,000 or more than 70 percent. It is clear proof of the appeal and solid acceptance by the shopping public of this basic change in our merchandising policy.

Earnings

Net earnings for the fiscal year were $10,022,000 compared with $9,574,000 in the previous fiscal year. The company earned only 9/10¢ for each dollar of sales, a decline from 1¢ per dollar of sales last year.

This level of earnings in relation to sales is disappointing and dangerously low. A reasonable level of earnings is essential to any company if it is to be able to provide for expansion, to maintain the physical assets of the business, to retire funded debt in an orderly manner, and to provide an adequate return to shareholders on their investment. For Dominion, a comparison with results of 10 years earlier shows an increase in sales of 142 percent and an increase in profits of only 7½ percent.

Dividends

Dividends paid to shareholders were maintained at the annual rate of 72¢ per share, the same as in the previous year. Total dividends paid amounted to $5,965,000, 60 percent of the Company's earnings for the year.

Financial Resources

The Company's basic financial strength was sustained in the fiscal year. Working capital increased during the year to $32,704,000 compared with $30,141,000 at March 18th, 1972. The ratio of current assets to current liabilities at March 17th, 1973 was 1.75 times. Shareholders' equity at the year end totalled $91,251,000.

The Cost of Doing Business

The Company's cost of doing business accelerated during the fiscal year. The total amount paid out in employee salaries and benefits was 136 million dollars, an increase of 21 million dollars from the previous year and the largest year to year increase in the Company's history. Taxation remained a heavy burden for the Company and for the Canadian retail industry generally. The rate of federal income tax increased significantly on January 1st, 1973. At that time the 7 percent tax reduction, which had been in effect since July 1st, 1971, was allowed to lapse.

Major tax concessions have been provided by the Federal Government for manufacturing and processing industries but these concessions have not been extended to industries in retail and other services. Your Company regards this Federal Government Policy as discriminatory and has made representations to this effect. Comparable incentives or stimulus, offered to the retail food industry would, in the opinion of Dominion Stores, contribute both to increasing employment and to the restraining of price increases.

Customer Relations

Today, the supermarket is a meeting place of food shoppers and store staffs. Both need each other to survive . . . the shopper for her family's nutritional needs . . . the store staffs for their livelihood.

The new Dominion programme, being communicated in all media to the public — expresses the company attitude — and that of all store staffs, to assist the shoppers in every possible way.

The shopper is now more informed, more inquisitive about the workings of the food business — and far more prone to be critical when things don't go right, than ever before.

The involvement of every company employee, in making sure Dominion retains the confidence of the shopping public, is absolutely essential.

Planning and Development

At the end of the fiscal year Dominion had 401 stores in operation. Four new stores were opened during the year, 2 in Ontario and 2 in Quebec. A number of new stores were under construction or at the advanced planning stages and will be open in the March, 1974 fiscal year. Six small stores were closed.
Emphasis is on large supermarkets capable

of accommodating the heavy traffic and heavy sales volume which result from Dominion's deep discount operations. Stores which are not adaptable to the efficiency and economy of large volume operations are being phased out. The ongoing programme of modernization and enlargement of all existing store facilities continues.

A major addition to the Toronto distribution centre was begun. Rapid expansion of sales has meant that facilities which were expected to be adequate until 1975 are already operating at full capacity. An addition to this ultra modern facility will increase the size by approximately 50 percent and will assure the Company's ability to continue efficient operations.

In addition a distribution centre is under construction in Halifax, Nova Scotia, and will be in operation in the fall of 1973. It will provide for improved servicing of stores in the Atlantic Province.

Personnel

Dominion is fortunate in having competent and loyal staff at all levels of the organization. The Company's employee development programme provides a flow of trained and experienced personnel ready to move to a position of greater responsibility. Dominion personnel have a reputation of friendly and courteous service to the public and their contribution to development of customer goodwill is an important ingredient in the Company's success. At the end of the fiscal year, the Dominion organization was comprised of 11,194 full-time employees and 11,319 regular part-time employees.

Annual Meeting

The Annual Meeting of Shareholders will be held at the O'Keefe Centre for the Performing Arts, Front and Yonge Streets, Toronto, on Tuesday, August 14th, 1973, at 11.00 a.m.

In Appreciation

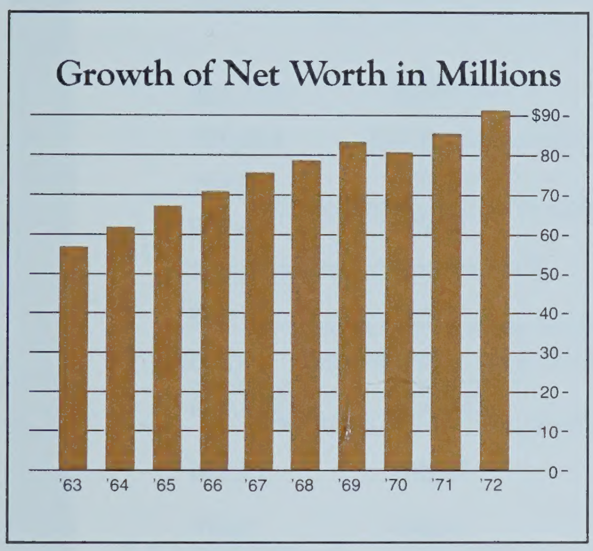
The Directors wish to acknowledge the contribution of our loyal and dedicated employees, the co-operation of our many suppliers and the continuing support and encouragement of the shareholders. We express to them our sincere appreciation.

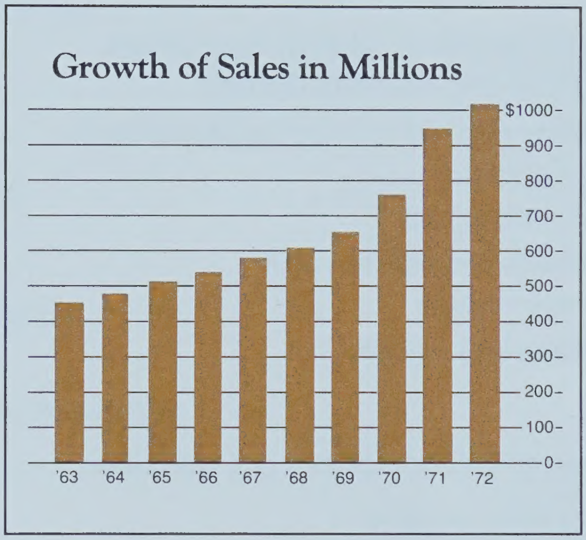
For the Board of Directors,

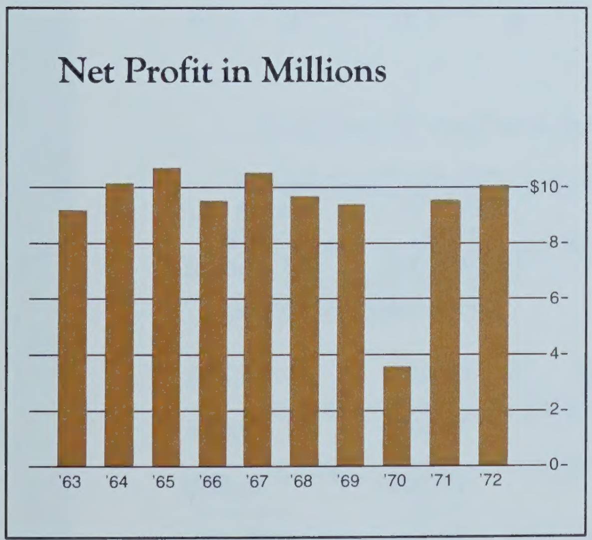
JOHN A. McDOUGALD
Chairman of the Board

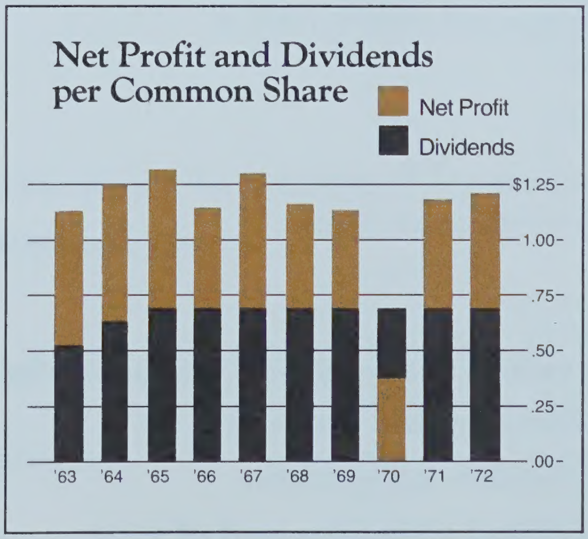
THOMAS G. McCORMACK
Vice-Chairman of the Board and Chief Executive Officer

Progress Charts









Consolidated Statements of Earnings and Reinvested Earnings

Consolidated Statement of Earnings

	For the Years Ended March 17, 1973 (52 Weeks)	For the Years Ended March 18, 1972 (52 Weeks)
	(in thousands of dollars)	
Sales	$1,112,220	$953,739
Cost of goods sold and expenses except those shown below	936,454	801,149
Employees' salaries and benefits (note 3)	136,377	115,001
Depreciation	10,071	9,431
Municipal taxes	7,771	6,790
Interest on long-term debt	2,289	2,351
Other Interest	246	158
Investment income	(255)	(285)
	1,092,953	934,595
Earnings before taxes on income	19,267	19,144
Taxes on income	9,245	9,570
Net earnings for the year	$ 10,022	$ 9,574
Earnings per share (note 5)	$ 1.21	$ 1.18

Consolidated Statement of Reinvested Earnings

	For the Years Ended March 17, 1973 (52 Weeks)	For the Years Ended March 18, 1972 (52 Weeks)
	(in thousands of dollars)	
Reinvested earnings, beginning of the year	$ 68,495	$ 64,746
Net earnings for the year	10,022	9,574
Less: dividends to shareholders	(5,965)	(5,825)
Reinvested earnings, end of year	$ 72,552	$ 68,495

Consolidated Statement of Source and Use of Funds

	For the Years Ended March 17, 1973 (52 Weeks)	March 18, 1972 (52 Weeks)
	(in thousands of dollars)	
Source of Funds		
Net earnings for the year	$10,022	$ 9,574
Charges not requiring cash outlay:		
Depreciation	10,071	9,431
Deferred income taxes	175	880
Funds generated from operations	20,268	19,885
Disposal of fixed assets	780	3,746
Proceeds from shares issued under the stock option plan (note 5)	1,723	1,222
Decrease in mortgages and other investments	215	—
	22,986	24,853
Use of Funds		
Investment in fixed assets	13,782	14,500
Dividends	5,965	5,825
Reduction of long-term debt	466	1,435
Increase in mortgages and other investments	—	42
Increase in investment in effectively controlled company (note 2)	210	—
	20,423	21,802
Increase In Working Capital	2,563	3,051
Working Capital — Beginning Of Year	30,141	27,090
Working Capital — End Of Year	$32,704	$30,141

Consolidated Balance Sheet as at March 17, 1973

Assets	March 17, 1973	March 18, 1972
	(in thousands of dollars)	
CURRENT:		
Cash	$ 5,710	$ 5,625
Short-term deposits	—	3,500
Accounts receivable	1,030	1,277
Mortgages receivable	65	168
Merchandise — valued at the lower of cost and market (note 1)	68,279	64,344
Prepaid expenses	973	965
Deferred income taxes	132	378
	76,189	76,257
MORTGAGES AND OTHER INVESTMENTS — at cost	1,742	1,957
INVESTMENT IN AN EFFECTIVELY CONTROLLED COMPANY (note 2)	2,104	1,894
FIXED ASSETS — at cost:		
Store, warehouse and office equipment	110,553	103,539
Buildings and leasehold improvements	42,485	39,627
	153,038	143,166
Accumulated depreciation	74,262	66,017
	78,776	77,149
Land	9,578	8,274
	88,354	85,423
	$168,389	$165,531

Liabilities

	March 17, 1973	March 18, 1972
	(in thousands of dollars)	
CURRENT:		
Bank indebtedness	$ 3,665	$ —
Accounts payable and accrued expenses	34,913	34,741
Income and sundry taxes	4,329	9,691
Current portion of long-term debt	578	1,684
	43,485	46,116
DEFERRED INCOME TAXES	7,400	7,225
LONG TERM DEBT (note 4)	26,253	26,720
	77,138	80,061

Shareholders' Equity

	March 17, 1973	March 18, 1972
CAPITAL STOCK (note 5):		
Authorized — 20,000,000 common shares without nominal or par value.		
Issued and fully paid — 8,307,961 shares (1972 — 8,173,604 shares)	18,699	16,975
REINVESTED EARNINGS	72,552	68,495
	91,251	85,470
	$168,389	$165,531

Signed on behalf of the Board —

JOHN A. McDOUGALD, THOMAS G. McCORMACK

Directors

Notes to Consolidated Financial Statements

1. ACCOUNTING POLICIES

(i) Principles of Consolidation —
The accompanying financial statements consolidate the accounts of Dominion Stores Limited and all its subsidiaries.

(ii) Merchandise —
Merchandise is located at both stores and warehouses. The term "market" as it applies to store inventories means "net realizable value" and to warehouse inventories "replacement cost".

(iii) Fixed Assets —
Fixed assets (including significant renewals and betterments) are capitalized at cost. Provisions for depreciation are determined on a straight-line basis over the estimated useful lives of the assets as follows:

Store, warehouse and office equipment —	3 to 10 years
Buildings —	40 years
Leasehold improvements —	term of lease

2. ACCOUNTING CHANGES

(i) During the year the company changed its method of recognizing certain merchandising income from the cash basis to the accrual basis.

(ii) In addition, the company changed its basis of accounting for certain employee benefits. These benefits were previously accrued over a calendar year. During the year these accruals were accelerated to coincide with the terms of various labour contracts.

(iii) During the year 1973 the company changed from the cost method to the equity method of accounting for its investment in an effectively controlled company.

The net effect of the foregoing accounting changes was not material.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

	March 17, 1973	March 18, 1972
Number of directors	12	12
Aggregate remuneration as directors	$ 50,000	$ 50,000
Number of senior officers	11	10
Aggregate remuneration as senior officers	$679,000	$592,000
Number of senior officers who are also directors	4	4

4. LONG-TERM DEBT

	March 17, 1973 $	March 18, 1972 $
Redeemable sinking fund debentures		
5% Series "A" — maturing May 1, 1972	—	1,122,500
4¼% Series "B" — maturing November 1, 1975	3,234,500	3,628,500
5½% Series "C" — maturing December 1, 1976	2,684,500	3,117,500
9¾% Series "D" — maturing December 1, 1990	20,000,000	20,000,000
Mortgages payable	912,158	534,578
	26,831,158	28,403,078
Deduct: Current portion included in current liabilities	577,719	1,683,500
	26,253,439	26,719,578

The principal amounts remaining to be paid in the next five fiscal years are:

Fiscal years ending March 1974	577,719
1975	863,000
1976	2,931,000
1977	2,173,241
1978	1,184,000

5. STOCK OPTION PLAN

Pursuant to an employees' stock option plan adopted by the company on August 26, 1969, 106,125 unissued common shares of the company are reserved as at March 17, 1973. During the year 134,357 shares were issued for cash of $1,723,625 upon exercise of stock option granted in prior years. Of the options granted to date, the following remain to be exercised (including options on 33,600 shares to senior officers, four of whom are also directors):

Number of shares	Option price $	Expiry date
204,833	12.75	August 25, 1974
3,140	12.125	August 16, 1975
15,970	13.38	August 22, 1976

The exercise of these options would have no material effect on the reported earnings per share.

6. LONG-TERM LEASES

The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option, whichever occurs first, for each of the periods shown below, is as follows:

	March 17, 1973 $	March 18, 1972 $
Within 10 years	112,777,000	108,289,000
Within the next 5 years	43,579,000	43,815,000
Within the next 5 years	26,630,000	27,618,000
Within the remainder of the term	7,978,000	10,323,000
	190,964,000	190,045,000
Minimum annual rentals payable under such leases are	15,677,000	15,110,000

Certain leases contain an option to cancel. Should the company exercise these options, it could be required to purchase the related properties.

7. PENSION PLAN

As of January 1, 1973, the estimated unfunded liability amounted to approximately $19,500,000. This liability is being funded over 17 years by means of annual payments of approximately $1,644,000. These payments are being charged against operations in the year in which they are made.

8. CAPITAL COMMITMENTS

The company is expanding its distribution facilities at an estimated total cost of $6,240,000 of which commitments in the amount of $1,004,000 have been made.

9. 1972 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the 1973 presentation.

Auditors' Report

McDONALD, CURRIE & CO.
Chartered Accountants

120 Adelaide Street West,
Toronto.

We have examined the consolidated balance sheet of Dominion Stores Limited and its subsidiaries as at March 17, 1973 and the consolidated statements of earnings, reinvested earnings and source and use of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 17, 1973 and the results of their operations and the source and use of their funds for the fiscal year then ended, in accordance with generally accepted accounting principles which, except for the accounting changes referred to in note 2 to the financial statements, have been applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.
Chartered Accountants

April 13, 1973

Ten Year Financial Summary *(dollars in millions)*

As at fiscal years ended March:	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
TOTAL ASSETS	$168.4	$165.5	$157.0	$136.0	$126.3	$116.1	$108.2	$104.3	$ 97.8	$ 93.4
CURRENT ASSETS	$ 76.2	$ 76.2	$ 69.1	$ 56.1	$ 51.2	$ 51.5	$ 45.0	$ 47.8	$ 44.5	$ 47.5
CURRENT LIABILITIES	43.5	46.1	42.0	37.7	32.5	25.8	21.7	21.1	19.8	20.4
WORKING CAPITAL	$ 32.7	$ 30.1	$ 27.1	$ 18.4	$ 18.7	$ 25.7	$ 23.3	$ 26.7	$ 24.7	$ 27.1
Working Capital Ratio	1.7	1.7	1.6	1.5	1.6	2.0	2.1	2.3	2.2	2.3
OTHER ASSETS	$ 3.8	$ 3.9	$ 3.8	$ 1.5	$ 1.1	$ 1.2	$ 1.7	$ .3	$ .3	$ .7
NET FIXED ASSETS	88.4	85.4	84.1	78.4	74.0	63.4	61.5	56.2	53.0	45.2
DEFERRED INCOME TAXES	7.4	7.2	6.3	5.5	4.7	4.0	3.9	3.5	3.1	2.7
LONG-TERM DEBT (excludes current portion)	26.3	26.7	28.2	9.1	10.1	11.0	12.0	12.8	13.0	13.5
BOOK VALUE OF SHARE-HOLDERS' INVESTMENT IN THE BUSINESS	$ 91.2	$ 85.5	$ 80.5	$ 83.7	$ 79.0	$ 75.3	$ 70.6	$ 66.9	$ 61.9	$ 56.8
Accounted for as follows —										
Capital stock	$ 18.7	$ 17.0	$ 15.8	$ 15.7	$ 15.7	$ 15.7	$ 15.7	$ 15.6	$ 15.4	$ 15.2
Reinvested earnings	$ 72.5	$ 68.5	$ 64.7	$ 68.0	$ 63.3	$ 59.6	$ 54.9	$ 51.3	$ 46.5	$ 41.6
NUMBER OF SHARES OUTSTANDING (000 Omitted)	8,308	8,174	8,078	8,077	8,073	8,073	8,073	8,069	8,058	8,050
NUMBER OF SHAREHOLDERS	9,191	10,518	11,748	11,305	11,158	11,241	10,895	10,053	9,758	9,084
CAPITAL EXPENDITURES	$ 13.8	$ 14.5	$ 16.3	$ 15.3	$ 18.3	$ 10.6	$ 14.7	$ 13.9	$ 16.0	$ 9.1

Ten Year Statement of Earnings *(dollars in millions)*

For the fiscal years ended March:	1973	1972	1971	1970	1969	1968*	1967	1966	1965	1964
SALES	$1,112.2	$953.7	$768.5	$651.6	$602.9	$584.2	$543.5	$513.7	$487.7	$459.3
COST OF GOODS SOLD AND EXPENSES										
Cost of goods sold and expenses except those shown below	$ 936.5	$801.1	$644.0	$530.3	$492.6	$480.4	$452.3	$428.4	$408.0	$387.6
Employees' salaries and benefits	136.4	115.0	101.1	86.4	76.5	69.5	61.3	53.8	50.0	44.6
Depreciation	10.1	9.4	8.6	7.9	6.8	6.7	6.0	5.9	5.3	4.8
Municipal taxes	7.8	6.8	6.4	5.4	5.1	4.7	4.0	3.6	3.3	3.0
Interest on long-term debt	2.3	2.4	1.0	.5	.5	.6	.6	.6	.6	.7
Other interest	.2	.2	1.0	1.1	.3	.1	—	—	—	—
Investment income	.3	.3	.3	.3	.3	.3	.4	.3	.5	.8
	$1,093.0	$934.6	$761.8	$631.3	$581.5	$561.7	$523.8	$492.0	$466.7	$439.9
EARNINGS BEFORE TAXES ON INCOME	$ 19.2	$ 19.1	$ 6.7	$ 20.3	$ 21.4	$ 22.5	$ 19.7	$ 21.7	$ 21.0	$ 19.4
Per dollar of sales	1.73¢	2.00¢	.87¢	3.12¢	3.55¢	3.86¢	3.63¢	4.21¢	4.30¢	4.23¢
TAXES ON INCOME	$ 9.2	$ 9.5	$ 3.4	$ 11.0	$ 11.9	$ 12.0	$ 10.3	$ 11.0	$ 10.9	$ 10.1
Per dollar of sales	.83¢	1.00¢	.44¢	1.69¢	1.97¢	2.06¢	1.90¢	2.14¢	2.23¢	2.20¢
NET EARNINGS	$ 10.0	$ 9.6	$ 3.3	$ 9.3	$ 9.5	$ 10.5	$ 9.4	$ 10.7	$ 10.1	$ 9.3
Per dollar of sales	.90¢	1.00¢	.43¢	1.43¢	1.58¢	1.80¢	1.73¢	2.07¢	2.07¢	2.03¢
Per share	$ 1.21	$ 1.18	$ .41	$ 1.15	$ 1.17	$ 1.30	$ 1.16	$ 1.32	$ 1.25	$ 1.15
DIVIDENDS	$ 5.9	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.8	$ 5.2	$ 4.0
Per share	72¢	72¢	72¢	72¢	72¢	72¢	72¢	72¢	64¢	50¢
NUMBER OF EMPLOYEES										
— full time	11,194	10,498	10,381	9,664	9,231	9,066	8,766	8,437	8,023	7,900
— part time	11,319	10,684	10,230	8,706	7,935	7,798	7,587	8,125	7,159	7,587
	22,513	21,182	20,611	18,370	17,166	16,864	16,353	16,562	15,182	15,487
NUMBER OF STORES OPENED DURING YEAR	4	19	18	20	17	13	23	26	29	18
NUMBER OF STORES CLOSED DURING YEAR	6	13	19	11	9	12	20	29	17	13
NUMBER OF STORES AT END OF YEAR	401	403	397	398	389	381	380	377	380	368

*53 Weeks

Dominion Stores Limited

Incorporated under the laws of Canada

Head Office:

605 Rogers Road, Toronto, Ontario
M6M 1B9

District Offices:

St. John's, Nfld.	Toronto, Ont.
Halifax, N.S.	Hamilton, Ont.
Saint John, N.B.	Windsor, Ont.
Quebec, Que.	Sudbury, Ont.
Montreal, Que.	Winnipeg, Man.
Ottawa, Ont.	

Board of Directors — Affiliations

JOHN A. McDOUGALD
Chairman of the Board and Chairman of the Executive Committee—
Dominion Stores Limited
Chairman of the Board and President—
Argus Corporation Limited
Chairman of the Executive Committee and Vice-President—
Hollinger Mines Limited
Chairman of the Executive Committee and Director—
Massey-Ferguson Limited
Director and member of the Executive Committee—
Canadian Imperial Bank of Commerce

THOMAS G. McCORMACK
Vice-Chairman and Chief Executive Officer—
Dominion Stores Limited
Director—
Argus Corporation Limited
Crown Trust Company

THOMAS G. BOLTON
President—
Dominion Stores Limited

LEWIS H. M. AYRE
Chairman of the Board and President—
Ayre and Sons Limited
Chairman of the Board—
Northlantic Fisheries Limited
The Newfoundland Telephone Co. Limited
Director—
The Bank of Nova Scotia

ALEX E. BARRON
Chairman of the Board—
Canadian Tire Corporation Limited
Director—
London Life Insurance Company
The Canada Trust Company
Texasgulf Inc.

STEWART G. BENNETT
Corporate Director

GEORGE M. BLACK, Jr.
Vice-President—
Argus Corporation Limited
Director and member of the Executive Committee—
Canadian Imperial Bank of Commerce
Director—
Dominion Tanners Sales Corporation Limited

PIERRE PAUL DAIGLE
Vice-President—
City National Leasing Limited
Director—
RCA Limited
Confederation Life Association
Goodyear Tire and Rubber Company of Canada
International Paints (Canada) Limited

A. BRUCE MATTHEWS
Chairman of the Board—
The Excelsior Life Insurance Company
Chairman of the Board—
Canada Permanent Trust Company
Executive Vice-President—
Argus Corporation Limited

MAXWELL C. G. MEIGHEN
Chairman of the Board—
Canadian General Investments Limited
Vice-President—
Argus Corporation Limited
The Canada Trust Company
Director—
The Algoma Steel Corporation Limited

ANDRE MONAST, Q.C.
Partner—
St-Laurent, Monast, Desmeules, Walters & Vallieres
Director—
Canadian Imperial Bank of Commerce
Churchill Falls (Labrador) Corporation Limited
Noranda Mines Limited
Canada Cement Lafarge Limited

WILLIAM J. STEWART
Vice-President and Secretary—
Dominion Stores Limited

This annual report is printed on recycled paper stock — your company's recognition and support of one of the newest antipollution developments.

The Aim

of Dominion Stores Limited
is to fulfil with ever-increasing efficiency
its responsibility as a distributor of food,
thereby performing a satisfactory service
to the consumer, producer, manufacturer
and processor; to discharge its
responsibility to shareholders whose
investment makes the company possible;
and to provide its employees with a
satisfactory living under the best
possible conditions.

were competitive and acceptable to consumers. As a result, margins in meat departments in the period were generally inadequate to cover costs.

The fact that Dominion in this period was able to continue a rate of sales growth considerably in excess of inflationary factors is further proof of public confidence in our deep discount merchandising approach and in our policy of not knowingly being undersold in everyday prices.

While it is too early to predict results for the remainder of the fiscal year, initial weeks of the third quarter have shown a continuation of our healthy sales increase trend. The company continues to receive notifications and advances in the costs of many of the items we carry. Every effort is being made to maintain and increase efficiency and to restrain costs so that the company will be even better able to serve the interest of customers, employees and shareholders.

For the Board of Directors,
THOMAS G. BOLTON,
President

HIGHLIGHTS (unaudited)

(dollars are in thousands)

	For the 13 Weeks Ended		For the 26 Weeks Ended	
	Sept. 15/73	Sept. 16/72	Sept. 15/73	Sept. 16/72
Sales	$303,173	$265,466	$604,444	$532,231
Per cent increase	14.20%	—	13.57%	—
Earnings before taxes	$ 3,779	$ 3,438	$ 9,571	$ 6,318
Taxes on income	1,940	1,670	4,885	3,070
Net earnings	1,839	1,768	4,686	3,248
Per dollar of sales	.61¢	.67¢	.78¢	.61¢
Per share	22¢	21¢	56¢	39¢
Dividends paid	$ 1,496	$ 1,492	$ 2,992	$ 2,975
Per share	18¢	18¢	36¢	36¢
Number of stores	394	398	394	398

STATEMENT OF SOURCE AND USE OF FUNDS

(thousands of dollars)

	For the 26 Weeks Ended	
	Sept. 15/73	Sept. 16/72
Source of Funds		
Net earnings	$ 4,686	$ 3,248
Depreciation	5,252	4,977
Disposal of fixed assets	887	339
Shares issued under stock option plan	60	1,628
Mortgages receivable	677	275
Other	22	—
	11,584	10,467
Use of Funds		
Investment in fixed assets	7,171	4,449
Dividends paid	2,992	2,975
Long term debt reduction	841	77
Other	—	210
	11,004	7,711
Working Capital		
Increase in the 26 weeks	580	2,756
Balance—beginning of the year	32,704	30,141
Balance—end of the half year	$ 33,284	$ 32,897

DOMINION STORES LIMITED, TORONTO, CANADA M6M 1B9

AR39

DOMINION

INTERIM REPORT

FOR THE 26 WEEKS ENDED SEPTEMBER 15, 1973

DOMINION

RAPPORT PROVISOIRE

DES 26 SEMAINES TERMINÉES LE 15 SEPTEMBRE 1973

DOMINION STORES LIMITED

Toronto, Canada

November 14, 1973

To Our Shareholders:

The company continued its sales expansion pattern through the second quarter of the current fiscal year ended September 15, 1973, but heavy cost increases, including higher wage payments, resulted in only a minimal growth in earnings.

Sales in the quarter were $303,173,000 compared with $265,466,000 in the same quarter a year earlier. While the sales growth amounted to 14.2%, earnings rose only 4% to $1,839,000 or 22¢ a share. Earnings per dollar of sales were actually lower than they were a year earlier, declining from 0.67 of a cent in the second quarter last year to 0.61 of a cent in the most recent period.

While second quarter earnings were lower than those for the first quarter of the current year, the combined six-month figures show an improvement over the first six months of the last fiscal year. This is because of the stronger earnings performance in the first quarter of the current year, compared with an unusually depressed first quarter in the last fiscal year.

For the half-year, sales amounted to $604,444,000, an increase of 13.57% over the first six months of the previous year. Earnings amounted to 56¢ a share, compared with 39¢ a share a year earlier.

The company's inability to sustain the earnings level of the first quarter and of the latter part of the preceding year reflects serious pressures affecting the supermarket industry generally. Competitive conditions remained intense. Consumer price consciousness remained very high, reinforced by news media coverage of price matters and by the activities of government bodies on both federal and provincial levels.

While Dominion welcomes informed study and discussion of food prices, we believe that the tendency to concentrate criticism on the supermarket segment of the food industry is unwarranted and does a disservice to the consumer. Dominion has publicly pointed out that, as a supermarket organization, we are simply traders. Cost increases originate, not with us, but with the supplies of goods or services which we purchase.

In addition to the substantially higher costs of labour over last year, the great majority of other expenses have risen rapidly; including power, fuel and much higher paper costs for wrapping material.

As consumers are aware, meat prices presented a particular problem during the second quarter. In many cases wholesale cost increases were of such magnitude that retail margins had to be severely reduced to maintain prices that

DOMINION STORES LIMITED

Toronto, Canada

Le 14 novembre 1973

À nos actionnaires

La compagnie a continué d'adhérer à son programme d'expansion des ventes durant tout le deuxième trimestre de l'exercice en cours, trimestre terminé le 15 septembre 1973, mais, en raison de fortes augmentations des frais, dont le paiement de salaires plus élevés, la compagnie s'est retrouvée en présence d'une croissance uniquement marginale en matière de bénéfices.

Les ventes du trimestre se chiffrèrent par $303,173,000 au regard de $265,466,000 durant le trimestre correspondant il y a un an. Bien que l'augmentation des ventes ait touché 14.2%, celle des bénéfices n'a atteint que 4% pour s'établir à $1,839,000 ou 22 cents par action. Les bénéfices par dollar de vente furent effectivement moindres qu'ils l'étaient un an auparavant, alors qu'ils sont passés de 0.67 d'un cent au deuxième trimestre l'année dernière à 0.61 d'un cent durant la dernière période.

Bien que les bénéfices du deuxième trimestre furent moins élevés que ceux du premier trimestre de l'exercice en cours, les chiffres du semestre marquent une amélioration au regard du premier semestre du dernier exercice. La raison en est le rendement plus ferme des bénéfices du premier trimestre de l'exercice en cours en comparaison d'un premier trimestre exceptionnellement languissant du dernier exercice.

Pour le semestre, les ventes s'élevèrent à $604,444,000, une augmentation de 13.57% par rapport au premier semestre de l'exercice précédent. Les bénéfices s'établirent à 56 cents par action au regard de 39 cents un an plus tôt.

L'inaptitude de la compagnie à conserver les bénéfices au niveau de ceux du premier trimestre et de la dernière partie de l'exercice précédent témoigne des fortes tensions qu'a subies l'industrie du supermarché en général. La concurrence demeura intense la période durant. Le souci du consommateur à l'égard des prix demeura vif, intensifié qu'il fut par les manchettes des organes d'information sur le sujet et par les activités d'organismes gouvernementaux tant au palier fédéral que provincial.

Bien que la compagnie admette l'étude et le débat judicieux du prix des aliments, nous sommes d'avis que la tendance à concentrer la critique et les enquêtes sur le secteur du supermarché de l'industrie des aliments est abusive et nuit au consommateur. La compagnie a souligné publiquement que, comme supermarché, nous sommes simplement des commerçants. L'accroissement des frais ne s'amorce pas chez nous mais bien chez les fournisseurs des marchandises et services que nous achetons.

En plus de l'accroissement considérable des frais de main-d'oeuvre au regard de l'année dernière, la grande majorité des autres dépenses ont subi une hausse rapide, dont l'énergie électrique, le combustible et le papier d'emballage dont le coût fut beaucoup plus élevé.

Comme le consommateur le sait, le prix de la viande a soulevé un problème particulier durant le deuxième trimestre. Dans plusieurs cas, l'augmentation du prix de gros a pris une telle ampleur qu'il a fallu réduire considérablement les marges de détail pour maintenir des prix compétitifs et abordables pour le consommateur. Il s'ensuivit que les marges au domaine de la viande, durant la période, furent généralement insuffisantes pour couvrir les frais.

Le fait que la compagnie, au cours de cette période, a réussi à maintenir l'accroissement des ventes à un rythme considérablement supérieur aux facteurs inflationnistes constitue un autre témoignage de la confiance du public dans notre manière d'aborder la commercialisation par des prix coupés à plein et dans notre détermination de ne pas nous laisser délibérément damer le pion en matière de prix d'un jour à l'autre.

Bien qu'il soit prématuré de prédire les résultats du reste de l'exercice, les premières semaines du troisième trimestre ont marqué la poursuite de la tendance à une saine croissance de nos ventes. La compagnie continue à recevoir avis de la hausse du coût de plusieurs des articles que nous tenons. On s'emploie avec ardeur à maintenir, voire accroître, l'efficacité et à restreindre les frais afin que la compagnie soit encore mieux en mesure de servir l'intérêt des consommateurs, des employés et des actionnaires.

Au nom du Conseil d'administration

Le Président,

THOMAS G. BOLTON

POINTS SAILLANTS (non vérifiés)

(en milliers de dollars)

	Pour les 13 semaines terminées		Pour les 26 semaines terminées	
	le 15 sept./73	le 16 sept./72	le 15 sept./73	le 16 sept./72
Ventes	**$303,173**	$265,466	**$604,444**	$532,231
Pourcentage d'augmentation	**14.20%**	—	**13.57%**	—
Bénéfices avant impôts	**$ 3,779**	$ 3,438	**$ 9,571**	$ 6,318
Impôts sur le revenu	**1,940**	1,670	**4,885**	3,070
Bénéfices nets	**1,839**	1,768	**4,686**	3,248
Par dollar de ventes	**.61¢**	.67¢	**.78¢**	.61¢
Par action	**22¢**	21¢	**56¢**	39¢
Dividendes versés	**$ 1,496**	$ 1,492	**$ 2,992**	$ 2,975
Par action	**18¢**	18¢	**36¢**	36¢
Nombre de magasins	**394**	398	**394**	398

ÉTAT DE LA PROVENANCE ET DE L'UTILISATION DES FONDS

(en milliers de dollars)

	Pour les 26 semaines terminées	
	le 15 sept./73	le 16 sept./72
Provenance des fonds		
Bénéfices nets	**$ 4,686**	$ 3,248
Amortissement	**5,252**	4,977
Vente d'immobilisation	**887**	339
Actions émises en vertu du plan d'option sur actions	**60**	1,628
Hypothèques à recevoir	**677**	275
Autres postes	**22**	—
	11,584	10,467
Utilisation des fonds		
Placement en immobilisations	**7,171**	4,449
Dividendes versés	**2,992**	2,975
Réduction de la dette à long terme	**841**	77
Autres postes	**—**	210
	11,004	7,711
Fonds de roulement		
Augmentation durant les 26 semaines	**580**	2,756
Solde—au début de l'exercice	**32,704**	30,141
Solde—à la fin du semestre	**$ 33,284**	$ 32,897